



# ***Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending***

**EXPANDING OUR MISSION AND IMPACT**



*Learn.  
Perform.  
Succeed.*

**EXPANDING OUR MISSION AND IMPACT**

# Purpose

- **Provide information on the USD(AT&L) acquisition initiatives described in:**
  - **“Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending”**
  - **USD(AT&L) memo, 14 Sep 10**



# **Acquisition Efficiency Guidance Roadmap**

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## **“Better Buying Power” Initiatives Focus Areas**

- **Target Affordability and Control Cost Growth**
- **Incentivize Productivity & Innovation in Industry**
- **Promote Real Competition**
- **Improve Tradecraft in Acquisition of Services**
- **Reduce Non-Productive Processes and Bureaucracy**



# **Acquisition Efficiency Guidance Roadmap**

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## **Target Affordability and Control Cost Growth**

- Mandate affordability as a requirement**
- Implement “should cost” based management**
- Eliminate redundancy within warfighter portfolios**
- Achieve Stable and economical production rates**
- Manage program timelines**



# **Will Cost - Should Cost Memo**

- **Three Methods:**
  - **Bottoms-up assessment**
  - **Identify Reductions from Will-Cost**
  - **Competitive Contracting and Contract Negotiations**
- **AT&L Memo dtd 22 Apr 11 - Implementation of Will Cost-Should Cost Management, joint Memo from Dr. Carter and Mr. Hale.**
- **Army, USAF guidance out; Navy specific guidance pending.**
- **Will-Cost still used for External Reporting**



# **Acquisition Efficiency Guidance Roadmap**

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## **Incentivize Productivity & Innovation in Industry**

- **Reward contractors for successful supply chain and indirect expense management**
- **Increase Use of FPIF contract type**
- **Capitalize on progress payment structures**
  - **DPAP Memo dtd 27 Apr 11 - Cash Flow Tool for Evaluating Alternative Financing Arrangements**
- **Institute a superior supplier incentive program**
- **Reinvigorate industry's independent research and development & protect the defense technology base**



# **Acquisition Efficiency Guidance Roadmap**

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## **Promote Real Competition**

- Emphasize competitive strategy at each program milestone**
- Remove obstacles to competition**
  - Allow reasonable time to bid**
  - Require non-certified cost and pricing data on single offers**
  - Enforce open system architectures and set rules for acquisition of technical data rights**
  - DPAP Memo dtd 27 Apr 11 - Improving Competition in Defense Procurements-Amplifying Guidance. This memo amplifies guidance in DPAP Memo dtd 24**



# **Acquisition Efficiency Guidance Roadmap**

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## **Improve Tradecraft in Acquisition of Services**

- Assign senior managers for acquisition of services**
- Adopt uniform services market segmentation (taxonomy)**
  - DPAP Memo dtd 23 Nov 2010- Taxonomy for Acquisition of Services**
- Address causes of poor tradecraft**
  - Define requirements and prevent creep**
  - Conduct market research**
- Increase small business participation**





# **Acquisition Efficiency Guidance Roadmap**

## **Reduce Non-Productive Processes and Bureaucracy**

- **Reduce frequency of OSD level reviews**
- **Work with Congress to eliminate low value added statutory requirements**
- **Reduce the volume and cost of Congressional Reports**
- **Reduce non-value added requirements imposed on industry**
- **Align DCMA and DCAA processes to ensure work is complementary**
  - **DPAP Memo dtd 4 Jan 11- Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending; "Aligning DCMA and DCAA Processes to Ensure Work is Complementary"**
- **Increase use of Forward Pricing Rate Recommendations (FPRRs) to reduce administrative costs**



# Alignment of DCMA-DCAA

- **Effective 17 Sep 10, DCAA doesn't perform field pricing audits below:**
  - **\$100M for Cost-type proposals**
  - **\$10M for fixed-type proposals**
  - **DCMA will provide field pricing assistance for those**
- **DCMA single Agency for FPRA and FPRR**
- **DCAA to cease Financial Capability Reviews & Purchasing System Reviews. DCMA to do both.**
- **DCAA to audit subcontract costs as part of incurred costs audits & report**



# DoDI 5000.02 Document Disposition

## DAB Documents under Review

Document	SOURCE	OPR	Disposition
<b>Acquisition Strategy / Technology Development Strategy</b>	Reg: DoDI 5000.02	ARA / DPAP	Revised; Approved at 6 Jan S I G
Data Management Strategy	Stat: 10 USC 2320	ARA / DPAP / SE	Increased emphasis in AS
<b>Systems Engineering Plan</b>	Reg: DoDI 5000.02	SE	Revised; Approved at 6 Jan S I G
Corrosion Prevention and Control Plan	Reg: DoDI 5000.67	AT&L	Addressed in SEP
IUID (Individual Unit Identification) Implementation Plan	Reg: DoDD 8320.03 +	DPAP	Addressed in SEP
PESHE / NEPA Compliance Plan	Stat: 10 USC 4321 +	I&E	Addressed in SEP
<b>Program Protection Plan</b>	Reg: DoDI 5200.39	SE	<del>Revised; Approved at 6 Jan S I G</del>
Acquisition Information Assurance Strategy	Reg: DoDI 8580.1	ASD (NII)	Consolidated into PPP
<b>Life-Cycle Sustainment Plan</b>	Reg: DoDI 5000.02	L&MR	Revised; Approved at 6 Jan S I G
Information Support Plan (ISP)	Reg: DoDD 4630.05 +	ASD (NII)	In work
Net-Centric Data Strategy	Reg: DoDD 8320.02	ASD (NII)	To be consolidated into ISP
Life-Cycle Signature Support Plan	Reg: DoDD 5250.01	USD (I)	In work, renamed Life-Cycle Mission Data Plan to be more comprehensive
T&E Master Plan	Reg: DoDI 5000.02	DOT&E / DT&E	In work; renamed at MS A
T&E Strategy	Reg: DoDI 5000.02	DOT&E / DT&E	Replace TES w/TEMP at MS A
Operational Test Plan	Stat:10 USC 2399	DOT&E	In work
Economic Analysis (for MAIS programs)	Stat: P.L. 106-398	CAPE / NII	In work



# Reducing Internal Reporting Requirements

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## Internal Reports

- **Director, Administration & Management requested review of 97 USD(AT&L) internally generated reporting requirements**
- **USD(AT&L) recommended elimination of 45**
- **All 45 have been eliminated**
- **Lists can be found at:**
  - [http://www.dtic.mil/whs/directives/corres/pdf/non\\_issuance\\_reports\\_for\\_elimination.pdf](http://www.dtic.mil/whs/directives/corres/pdf/non_issuance_reports_for_elimination.pdf)
  - <http://www.dtic.mil/whs/directives/corres/html/reportcancellation.html>



# **Reducing External Reporting Requirements**

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## **External Reports**

- **The Department requested repeal of requirements for 158 recurring Congressional reports:**
  - 55 were USD(AT&L) requests
- **H.R. 1540**
  - Would grant 25 of the 158 requests
  - Includes 4 of the 55 USD(AT&L) requests
- **S.1253 (sections 1061 through 1069)**
  - Would repeal or modify almost 100 recurring reporting requirements as requested by the Department.



# **Reducing External Reporting Requirements**

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## **Legislative Proposals**

- Requested relief from full suite of N-M process requirements for critical cost breaches induced by quantity change**
- Requested repeal of all requirements for retroactive certifications**
- H.R. 1540 did not include either proposal**
- S.1253 includes**
  - Relief for Quantity change Nunn-McCurdy (with caveat)**
  - Repeal of requirement for retroactive certifications**



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- Manage program timelines

## Incentivize Productivity & Innovation in Industry

- Reward contractors for successful supply chain and indirect expense management
- Increase Use of FPIF contract type
- Capitalize on progress payment structures
- Institute a superior supplier incentive program
- Reinvigorate industry's research and development

## Promote Real Competition

- Emphasize competitive strategy at each program milestone
- Remove obstacles to competition
  - Allow reasonable time to bid
  - Require non-certified cost and pricing data on single offers
  - Enforce open system architectures and set rules for acquisition of technical data rights
- Increase small business role and opportunities

## Improve Tradecraft in Acquisition of Services

- Assign senior managers for acquisition of services
- Adopt uniform services market segmentation (taxonomy)
- Address causes of poor tradecraft
  - Define requirements and prevent creep
  - Conduct market research
- Increase small business participation

## Reduce Non-Productive Processes and Bureaucracy

- Reduce frequency of OSD level reviews
- Work with Congress to eliminate low value added statutory requirements
- Reduce the volume and cost of Congressional Reports
- Reduce non-value added requirements imposed on industry
  - Align DCMA and DCAA processes to ensure work is complementary
  - Increase use of Forward Pricing Rate Recommendations (FPRRs) to reduce administrative costs